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Q4 2025 Investment Outlook Seizing the AI Liftoff, Riding the Fed Cuts

Looking ahead into Q4 2025, rapid innovations, accelerating adoption of artificial intelligence (AI) and the US Federal Reserve's resumption of the rate-cut cycle are outweighing the concerns about the US trade tariffs and policy uncertainties, according to HSBC Private Bank.

In the next six months, the bank maintains a risk-on investment strategy with an overweight position in global equities, particularly in the US, China, Singapore, and UAE markets. Positioning for falling USD policy rates, the bank advises its clients to add global investment grade bonds to lock in current yields and hedge against slowing economic growth risks. In its latest Investment Outlook – Seizing the AI Liftoff, Riding the Fed Cuts, it reiterates the importance of adopting a multi-asset approach to strengthen portfolio resilience, including its overweight on gold and core allocation to hedge funds and private market investments.

Its four investment priorities for Q4 2025 are:

- **Add quality bonds to position for a new round of Fed cuts:** The Federal Reserve's policy focus is shifting to stabilise the labour market, which is positive for bonds. Lower interest rates incentivise investors to shift from cash to bonds.
- **Capture expanding global opportunities in AI adoption and monetisation:** Many industries are benefiting from AI for their productivity gains and enhanced competitive advantages. Industry leaders in the AI ecosystem have significant potential earnings upside.
- **Mitigate currency and portfolio risks with alternatives, multi-asset, and volatility strategies:** Multi-asset strategies are effective in managing portfolio volatility, while alternative investments and volatility strategies help provide downside protection.
- **Ride on Asia's policy tailwinds and structural trends:** Asian markets are poised to benefit from the US rate cuts, accelerating AI adoption, corporate governance reforms, and China's policy stimulus and supply-side reforms, which offer supportive drivers for the equity and bond markets in the region.

Cheuk Wan Fan, Chief Investment Officer, Asia, HSBC Private Bank and Premier Wealth, said: "We expect two more rate cuts of 25 basis points by the Federal Reserve in October and December, which will likely bring the Fed fund rates down to the range of 3.50-3.75 per cent by the end of this year. Subject to subsequent economic data, further weakening of the labour market conditions may add pressure to the Federal Reserve to lower interest rates in 2026. As USD rates continue to drop, investors need to consider the increasing opportunity cost of holding cash and should lock in current yields of quality bonds before interest rates decline further."

The report also cites that global AI innovations have entered a rapid liftoff phase, evidenced by the earnings growth and successful use cases reported in the US Q2 2025 earnings season. Currently, the tech and data economy accounts for 8.5 per cent of the US GDP but significantly representing 48 per cent of the S&P 500 market capitalisation.

“Rapid innovation and rising investment in the AI ecosystem offer new growth engines for many industries across the world. We are optimistic about corporate earnings growth outlook in 2026, and maintain an overweight on global equities, with a preference for US, China, Singapore, and UAE equities. In particular, the US and China equity markets stand out as major beneficiaries of the rise of AI,” Fan added.

Focusing on Asia, the bank continues to build out its investment themes around the rising trend of **Asia in the New World Order**, which captures structural growth opportunities in the region’s resilient economies. These themes offer guidance on the impact from cyclical tailwinds of Fed rate cuts, domestic policy stimulus, secular drivers of AI investment boom and structural reforms.

Patrick Ho, Chief Investment Officer, North Asia, HSBC Private Bank and Premier Wealth, said: “Asian economies and markets have shown remarkable resilience amid global trade uncertainty. Given the breakthroughs in China’s AI innovation and supply-side reforms, Asia’s corporate governance reforms, rising dividend yields and returns on equity, we see robust domestic fund inflows supporting various local markets across the region. Asian equity and bond markets offer compelling opportunities for growth, income, and diversification.”

“Under our theme of China’s Innovation Champions, we focus on AI-related sectors well positioned for a new wave of investment, ranging from software, semiconductors, and digital infrastructure to AI cloud & agents, physical AI and biotech leaders,” added Ho.

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Disclosure

The value of investments and income from them can fall and you might get back less than you invest. Investments in emerging markets may be extremely volatile and subject to sudden fluctuations of varying magnitude due to a wide range of influences.

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Notes to editors

The Q4 2025 Investment Outlook report, “Seizing the AI Liftoff, Riding the Fed Cuts” is available in PDF format: [Link](#)

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